Macmahon Holdings Limited
ACN 007 634 406

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Notice of General Meeting

To consider an acquisition of assets from, and transfers of assets to, AMNT in connection with the Batu Hijau Contract Renewal Arrangements

Monday, 27 March 2023 at 3:00pm (WST)
At 15 Hudswell Road, Perth Airport, WA 6105

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders of Macmahon Holdings Limited will be held at 15 Hudswell Road, Perth Airport, WA on Monday, 27 March 2023 at 3:00pm (WST).

Shareholders who are not attending the Meeting in person will be able to listen to a live webcast of the Meeting. The details of this audio webcast, including dial-in details, will be provided to Shareholders by way of an ASX announcement at least one week prior to the Meeting.

Please note that the webcast is provided for convenience only. The Meeting is not intended to be, and will not be, held using virtual technology. As such, while the webcast will allow you to listen to the Meeting in real time, it does not facilitate participation in, or voting at, the Meeting.

The Company strongly encourages all Shareholders who wish to vote (but who are not attending the Meeting in person) to do so by appointing the Chair as their proxy (and, where desired, directing the Chair how to vote on the Resolution) by completing and returning the Proxy Form.

Attached to, and forming part of, this Notice of Meeting is an Information Memorandum that provides Shareholders with background information and further details on the Resolution (in order to understand the reasons for and effect of the Resolution, if approved). The approval of the Resolution is a condition precedent to the Batu Hijau Contract Renewal Arrangements taking effect.

Terms which are defined in the glossary in paragraph 2 of the Information Memorandum and are used in this Notice of Meeting have the same meaning as in the Information Memorandum.

Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of ASX Listing Rule 10.1 (which report accompanies this Notice of Meeting). The Independent Expert's Report comments on the fairness and reasonableness to non-associated Shareholders of the acquisition of certain equipment from, and the transfer of certain equipment to, AMNT in connection with the Batu Hijau Contract Renewal Arrangements. **The Independent Expert has concluded that these arrangements are fair and reasonable**.

The Independent Directors of Macmahon unanimously recommend that you vote in favour of the Resolution.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should consult their professional advisers before voting.

Business

Resolution – Approval of acquisition of certain equipment from, and transfer of certain equipment to, AMNT

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

> "*That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, Shareholders approve:*
>
> *(a) the transfer of the Macmahon Equipment to AMNT upon termination of the Existing Mining Contract;*
>
> *(b) the acquisition of the AMNT Equipment from AMNT; and*
>
> *(c) the potential future transfer of the New Macmahon Equipment to AMNT pursuant to the terms of, or on termination of, the Renewed Mining Contract,*
>
> *in each case under, and in connection with, the Batu Hijau Contract Renewal Arrangements as described in the Information Memorandum that accompanies this Notice*".

Voting Exclusion Statement

The Company will disregard any votes cast in favour of the Resolution by or on behalf of AMNT and any of its associates or any other person who will obtain a material benefit as a result of the transactions arising out of the Batu Hijau Contract Renewal Arrangements (except a benefit solely by reason of being a Shareholder in the Company).

However, the Company need not disregard a vote cast in favour of the Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

(b) the chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

  (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

  (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Determination of Shareholders' Right to Vote

For the purposes of the Meeting, Shares will be taken to be held by persons who are registered as members of the Company as at 3.00pm (WST) on Saturday, 25 March 2023. Accordingly, transactions registered after that time will be disregarded in determining which Shareholders are entitled to attend and vote at the Meeting.

Appointment of Proxy

A Shareholder has the right to appoint a proxy who need not be a Shareholder of the Company. If a Shareholder is entitled to cast two or more votes, they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise.

Sections 250BB and 250BC of the Corporations Act apply to voting by proxy. The effect of these sections is that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the chair, who must vote the proxies as directed.

Lodgement of proxy documents

The completed proxy form enclosed with this Notice of Meeting (and, if it is executed by an attorney, the relevant power of attorney or a certified copy of it) must be received by the Company at the address specified below by 3:00pm (WST) on Saturday, 25 March 2023.

A proxy can be appointed electronically by visiting www.investorvote.com.au and following the instructions provided. A proxy can be appointed online if they are appointed under power of attorney or similar authority.

For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting instructions.

For the purposes of section 249X(1A) of the Corporations Act, Shareholders are advised that the proxy appointed may be an individual or a body corporate. A body corporate appointed as a Shareholder's proxy may appoint a representative to exercise any of the powers the body may exercise as a proxy at the Meeting (as summarised below).

In accordance with section 250BA of the Corporations Act, the Company specifies the following information for the purposes of receipt of proxy appointments:

Facsimile Number:	(within Australia) 1800 783 447 (outside Australia) +61 3 9473 2555
Postal Address:	Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne Vic 3001

Bodies corporate

In accordance with section 250D of the Corporations Act, a body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at a meeting of a company's shareholders. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a meeting or in voting on a resolution.

The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed (such as: (i) a letter or certificate, executed in accordance with the body corporate’s constitution or the Corporations Act, authorising the person as a representative; or (ii) a copy of a resolution, certified by a secretary or a director of the body corporate, appointing the person as a representative), unless it has previously been given to the Company.

By order of the Board

Sophie Raven
Company Secretary
20 February 2023

Information Memorandum

1. Introduction

This Information Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting of Macmahon Holdings Limited (ACN 007 634 406) to be held at 15 Hudswell Road, Perth Airport, WA on Monday, 27 March 2023 at 3:00pm (WST).

This Information Memorandum forms part of and should be read in conjunction with the accompanying Notice of Meeting.

2. Glossary

The following terms and abbreviations used in this Information Memorandum (and the Notice of Meeting to which it forms a part of), have the following meanings:

$	Australian dollars unless otherwise specified
"AMC"	Amman Mineral Contractors (Singapore) Pte. Ltd. UEN 201709581C, a company established in the Republic of Singapore, which holds approximately 44.3% of the shares in Macmahon, and which is controlled by AMNT
"AMNT"	PT Amman Mineral Nusa Tenggara, a company established in the Republic of Indonesia and the majority owner of the Batu Hijau Mine
"AMNT Equipment"	Caterpillar equipment (including dozers and trucks) with an independently assessed market value of not more than US$35 million to be sold by AMNT to Macmahon Indonesia pursuant to the Renewed Mining Contract, as described at paragraph 3(d) of this Information Memorandum
"AMNT Nominees"	the two Directors who have been nominated by AMNT (being Alexander Ramlie and Arief Sidarto)
"ASX"	ASX Limited (ACN 008 624 691)
"ASX Listing Rules" or **"Listing Rules"**	the official Listing Rules of the ASX, as amended from time to time
"Batu Hijau Mine"	the Batu Hijau copper-gold mine majority owned by AMNT on the island of Sumbawa, Nusa Tenggara, Indonesia
"Batu Hijau Contract Renewal Arrangements"	The arrangements contained in or resulting from the following documents: (a) Batu Hijau Termination Agreement; and (b) Renewed Mining Contract, which will take effect if the Resolution is approved by Shareholders and all other Conditions are satisfied
"Batu Hijau Termination Agreement"	The agreement that will (if the Conditions are satisfied): (a) terminate the Existing Mining Contract so that it can be replaced with the Renewed Mining Contract; and

	(b) facilitate the transfer of the Macmahon Equipment by the Company to AMNT upon termination of the Existing Mining Contract
“Cessation Amount”	an amount payable by AMNT to Macmahon Indonesia if the Existing Mining Contract is terminated, which amount is the sum of: (a) a fixed amount which reduces to nil over a 5 year period (from the commencement of the Existing Mining Contract); and (b) the then written down value of any plant and equipment assets that have been acquired by Macmahon Indonesia for the project after the commencement date of the Existing Mining Contract, as further described at paragraph 3(c) of this Information Memorandum. For the sake of clarity, the Cessation Amount has reduced to $ nil with effect from 31 July 2022
“Chair”	the chair of the Meeting
“Company” or **"Macmahon"**	Macmahon Holdings Limited (ACN 007 634 406)
“Company’s Constitution” or "Constitution"	the constitution of Macmahon
“Conditions”	the conditions precedent to the Batu Hijau Contract Renewal Arrangements taking effect, being: (a) the approval of the Resolution by Macmahon Shareholders; (b) the consent of Macmahon’s financiers under Macmahon’s syndicated facility agreement (which condition has already been satisfied); (c) the determination by the Independent Valuer of the current market value of the AMNT Equipment and that market value subsequently being agreed by Macmahon Indonesia and AMNT; (d) the execution of the Batu Hijau Termination Agreement (which condition has already been satisfied, although the Batu Hijau Termination Agreement will only become effective once the other Conditions are satisfied); and (e) the mine plan and control budget for the Batu Hijau Mine for calendar year 2023 being finalised and agreed by Macmahon Indonesia and AMNT
“Corporations Act”	the Corporations Act 2001 (Cth) as amended from time to time
“Directors” or “Board”	the directors of the Company in office at the date of the Notice of Meeting
“Existing Mining Contract”	the existing contract, which commenced in 2017 and was subsequently amended as described in paragraph 3(a) of this Information Memorandum, between Macmahon Indonesia and AMNT in relation to the provision by Macmahon Indonesia of certain earthmoving and mining services at the Batu Hijau Mine (which agreement will, if the Resolution is approved, be terminated by the Batu Hijau Termination Agreement and replaced by the Renewed Mining Contract)
“Independent Directors”	the Directors of Macmahon other than the AMNT Nominees

"Independent Expert"	Lonergan Edwards & Associates Limited (ACN 095 445 560)
"Independent Expert's Report" or **"IER"**	the report produced by the Independent Expert set out in Annexure A to this Notice
"Independent Valuer"	Staffe Pty Ltd ACN 007 634 406
"Information Memorandum"	this information memorandum which forms a part of the Notice of Meeting
"KPI Fee"	the KPI fee that can potentially be earned by Macmahon under the Renewed Mining Contract, as described at paragraph 4(b) of this Information Memorandum
"Macmahon Equipment"	the equipment and parts that Macmahon Indonesia owns at the Batu Hijau Mine, being the original mining fleet acquired in 2017 plus additional items acquired since that date, which will be transferred to AMNT (in return for payment by AMNT of the Cessation Amount) upon termination of the Existing Mining Contract. This excludes the Reserved Macmahon Equipment which will be carved-out from the transfer obligations and which will continue to be owned by Macmahon Indonesia
"Macmahon Indonesia"	PT Macmahon Indonesia, a wholly–owned (indirect) subsidiary of Macmahon incorporated in Indonesia
"Meeting"	the general meeting of the Company convened by this Notice
"New Cessation Amount"	an amount payable by AMNT to Macmahon Indonesia if the Renewed Mining Contract is terminated and a put or call option (as described at paragraph 4(d) of this Information Memorandum) is exercised within 60 days of termination of the Renewed Mining Contract, which amount is equal to the then Written Down Value of the New Macmahon Equipment, as further described at paragraph 4(d) of this Information Memorandum.
"New Macmahon Equipment"	the: (a) AMNT Equipment (following its acquisition by Macmahon Indonesia pursuant to the Renewed Mining Contract); and (b) additional rebuilds, refurbishments, components and other capital expenditure (which may include new trucks or other new plant and equipment) relating to the Batu Hijau Mine that Macmahon Indonesia will fund (or purchase), and own, pursuant to the Renewed Mining Contract, as further described at paragraph 3(d) of this Information Memorandum
"Nominee Conflict and Confidentiality Protocol"	the protocol which sets out the procedures for the Board to manage actual or perceived conflicts that may arise in respect of any AMNT Nominee in relation to their duties as a director of the Company and their duties or interests in relation to the AMNT group
"Notice of Meeting" or **"Notice"**	this notice of meeting incorporating the Information Memorandum
"Phase 8"	a proposed cutback at, and expansion of, the Batu Hijau Mine as further described at paragraph 3(b) of this Information Memorandum
"Proxy Form"	the proxy form accompanying, and forming part of, the Notice

"Renewed Mining Contract"	the contract that will (subject to satisfaction of the Conditions) commence as soon after 1 January 2023 as all remaining Conditions are satisfied and will: (a) provide for the acquisition of the AMNT Equipment by Macmahon Indonesia from AMNT; and (b) replace the Existing Mining Contract, details of which renewed agreement are set out at paragraph 4, and the effects of which are summarised at paragraph 5, of this Information Memorandum
"Reserved Macmahon Equipment"	equipment owned by Macmahon Indonesia at the Batu Hijau Mine that will not be transferred to AMNT upon termination of the Existing Mining Contract and which will instead be retained and owned by Macmahon Indonesia. This comprises 7 haul trucks, a crane, 2 dozers, a grader and a water truck some of which items have been obtained by Macmahon Indonesia from third parties (and not from AMNT)
"Resolution"	the resolution set out in the Notice of Meeting to which this Information Memorandum relates
"Return on Capital Fee"	the return on capital fee that can be earned by Macmahon under the Renewed Mining Contract, as described at paragraph 4(b) of this Information Memorandum
"Shareholder"	a person registered as the holder of Shares in the register of members of the Company
"Shares"	fully paid ordinary shares in the Company
"Written Down Value"	of an item means the purchase price of that item less all depreciation charges recovered in respect of it
"WST"	Australian Western Standard Time as observed in Perth, Western Australia

3. Batu Hijau Contract Renewal Arrangements

(a) Background

Since 2017, Macmahon has held a life of mine alliance style mining and leasing services contract for the Batu Hijau Mine. This is a cornerstone project that underpins Macmahon's long term outlook.

Macmahon commenced work at the Batu Hijau Mine in 2017. This was pursuant to arrangements entered into in May 2017 between Macmahon (and its subsidiary, Macmahon Indonesia) and AMNT (and certain of AMNT's related entities). These arrangements were considered and approved by Shareholders at a general meeting held on 12 July 2017.

In April 2018, Macmahon announced that the initial ramp up of the Existing Mining Contract had been successfully completed. As part of the preparation for the transition to the main mining activities, Macmahon also announced that it had agreed a revised structure for the Existing Mining Contract, as described in Macmahon's ASX announcement dated 19 April 2018.

From the start of the contract in 2017, the Existing Mining Contract has been consistently profitable for Macmahon.

(b) Proposed Phase 8 expansion

Given the success of the Existing Mining Contract to date and AMNT's expected outlook for copper and gold prices, AMNT has made the decision to expand the Batu Hijau Mine by undertaking a further cutback of the pit, which expansion is known as 'Phase 8'.

The Phase 8 cutback is expected to extend in-pit mining by five and a half years from 1 January 2023 to 30 June 2028.

However, there are factors relating to the proposed expansion that, in Macmahon's view, make it less favourable to apply the current commercial framework (under the Existing Mining Contract) to the Phase 8 works. These include the following:

(a) the Written Down Value of Macmahon's equipment on site is a driver of return to Macmahon (as the fee includes a component for return on capital employed) - however, in accordance with the Existing Mining Contract, the value of the initial equipment on site has been fully recovered from AMNT through depreciation payments over a five year term (commencing in 2017) to a current Written Down Value of $ nil, which undermines any ability to generate future fees for capital employed;

(b) the terms of the Existing Mining Contract would not extend any KPI fee to the Phase 8 works; and

(c) the terms of the Existing Mining Contract do not specifically include the use of third-party off-balance sheet funding arrangements (which are discussed further at paragraph 3(e) below).

Accordingly, maintaining the existing commercial framework would lead to a lower commercial return than Macmahon would expect.

Given the above, the parties explored a number of possible solutions. Ultimately, given the scale of the new undertaking, it was considered appropriate to:

(a) terminate the Existing Mining Contract by mutual agreement (which will be effected by the Batu Hijau Termination Agreement); and

(b) replace that agreement with a new arrangement between the parties that is better suited to the present commercial circumstances (which arrangement is set out in the Renewed Mining Contract). The terms of the Renewed Mining Contract are summarised in Annexure B to the Notice. The Renewed Mining Contract will commence as soon after 1 January 2023 as all remaining Conditions are satisfied and will expire at the end of the life of the Batu Hijau Mine (currently estimated as 30 June 2028), unless terminated before that date.

Both the Batu Hijau Termination Agreement and the Renewed Mining Contract take effect on satisfaction of the Conditions. One of these Conditions is that Shareholders approve the Resolution.

(c) Transfer of Macmahon Equipment to AMNT

One consequence of terminating the Existing Mining Contract is that under the existing termination provisions of the Existing Mining Contract:

(a) AMNT must pay the Cessation Amount to Macmahon Indonesia (which, as from 31 July 2022, has reduced to $ nil pursuant to the terms of the Existing Mining Contract); and

(b) in return, Macmahon Indonesia must transfer ownership of the Macmahon Equipment back to AMNT[1].

These provisions were a key feature of the Existing Mining Contract and operated to ensure that, if terminated early, Macmahon Indonesia would receive a Cessation Amount to compensate it for the cost of the equipment to the extent those costs had not already been recovered via depreciation charges reimbursed by AMNT. Also, it was appropriate for ownership of the equipment to be transferred back to AMNT at that point because AMNT would have effectively paid for the equipment (via reimbursement of depreciation charges or payment of the Cessation Amount) and a return of the equipment to AMNT would avoid the need for Macmahon Indonesia to bear the cost and responsibility of removing the equipment from the remote Batu Hijau Mine site on termination.

Although ownership of the Macmahon Equipment (other than the Reserved Macmahon Equipment) will transfer back to AMNT as a consequence of the Batu Hijau Termination Agreement, Macmahon

[1] However, the parties have agreed in the Batu Hijau Termination Agreement that the Reserved Macmahon Equipment will remain with Macmahon Indonesia and not be transferred to AMNT.

Indonesia will require some of this equipment to be able to conduct the Phase 8 works under the Renewed Mining Contract. Accordingly, under the Renewed Mining Contract, AMNT is required to make certain equipment (including the Macmahon Equipment) available to Macmahon Indonesia (free of charge) for use by Macmahon Indonesia in performing services under the Renewed Mining Contract.

(d) Purchase of AMNT Equipment and funding of New Macmahon Equipment

Macmahon Indonesia will also purchase the AMNT Equipment from AMNT, for use in performing the Phase 8 works and to enable Macmahon Indonesia to use those assets as security under the third party funding arrangements described further at paragraph 3(e) below. This AMNT Equipment is Caterpillar equipment (including dozers and trucks).

Macmahon will pay AMNT the independently assessed market value of the AMNT Equipment (of up to US$35 million)[2] to acquire the AMNT Equipment. The actual items to be purchased will be determined once the specific market values of each item of equipment have been determined by the Independent Valuer, such that the overall value remains below US$35 million.

Further, under the Renewed Mining Contract, Macmahon Indonesia will also:

(a) fund rebuilds or refurbishments of, and new components for, some of AMNT's plant and equipment; and/or

(b) fund other capital expenditure (which may include new trucks or other new plant and equipment),

at the Batu Hijau Mine site unless it elects in any particular case to opt out of providing funding.

Rebuilds, refurbishments, components and other capital expenditure paid for by Macmahon Indonesia (which will, together with the AMNT Equipment purchased, constitute New Macmahon Equipment under the Renewed Mining Contract) will be owned by Macmahon Indonesia, even where affixed to, or incorporated in, AMNT's plant and equipment.

Macmahon Indonesia will recover the capital investment represented by each item of New Macmahon Equipment (including the AMNT Equipment purchased upfront as described above) through monthly depreciation charges paid by AMNT over the expected useful life of that item of New Macmahon Equipment (and will also earn a Return on Capital Fee as described below). Once the full value of the capital investment in an item of New Macmahon Equipment has been recovered by Macmahon Indonesia, ownership of that item of New Macmahon Equipment will be transferred to AMNT.

The new arrangement will:

(a) increase Macmahon's financial flexibility, by giving it the right to:

   (i) fund future Batu Hijau equipment expenditure on a sustainable basis yearly over the term (upon which it will earn a Return on Capital Fee); or

   (ii) decline to fund future Batu Hijau equipment expenditure, in which case AMNT will incur the necessary expenditure (and own the relevant equipment) and make the relevant assets available to Macmahon (free of charge) for use in performing services under the Renewed Mining Contract;

(b) allow Macmahon to generate improved profits by recovering:

   (iii) a Return on Capital Fee; and

   (iv) potentially, a KPI Fee,

   both of which are described further at paragraph 4(b) below;

(c) allow Macmahon the opportunity to implement third party funding arrangements (described further at paragraph 3(e) below); and

[2] This price has been determined using a notional IDR:USD exchange rate of 15,000:1, which will be adjusted (in accordance with the Renewed Mining Contract) to reflect the actual JISDOR spot price on the business day prior to completion, subject to the US$35 million cap. A USD:AUD exchange rate of 0.72 has been assumed.

(d) secure the increased tenure that Phase 8 delivers.

(e) Potential financing arrangement

As noted above, commercially Macmahon Indonesia is willing to fund the New Macmahon Equipment (which includes the AMNT Equipment purchased upfront from AMNT) because it will then be able to recover the costs of that funding (via reimbursement of monthly depreciation charges or, if terminated early, payment of the New Cessation Amount) plus earn a significant Return on Capital Fee.

Macmahon Indonesia also intends to implement potential third party funding arrangements under which Macmahon Indonesia would recover a portion of its capital expenditure immediately from a financier, and would then repay the financier via monthly repayments that approximate the monthly depreciation charges recovered from AMNT. The financier would, of course, charge a fee for this arrangement, but Macmahon Indonesia would only seek to obtain finance where the costs of the financing are significantly less than the Return on Capital Fee payable to Macmahon Indonesia in respect of the financed equipment.[3] If these funding arrangements are put in place, it is intended that the financier would be granted security over the AMNT Equipment (and potentially over other equipment as noted in paragraph 4(d) below) to secure repayment of the funding.

4. The proposal for the Renewed Mining Contract

As a result of the matters described above, the Renewed Mining Contract will involve the following material changes to the existing terms of the Existing Mining Contract:

	Proposed Change	**Description of change**
(a)	Increased flexibility on investment in New Macmahon Equipment on site and flexibility as to funding	As noted above, Macmahon Indonesia will have the right (under the Renewed Mining Contract) to fund certain additional Batu Hijau equipment expenditure (over and above the initial purchase of the AMNT Equipment) over the term of Phase 8. This will considerably increase the notional book value of Macmahon Indonesia's current equipment on site. This value will be recovered from AMNT by way of monthly depreciation charges to be paid by AMNT under the Renewed Mining Contract[4]. These charges will be monthly amounts (commencing from the month in which the expenditure is incurred) sufficient to write down the value of the equipment on a straight line basis:

[3] Any third party finance provided to Macmahon Indonesia (on arm's length terms) for a portion of the funding for New Macmahon Equipment would be under a tripartite arrangement between Macmahon Indonesia, AMNT and the financier and, would result in off-balance sheet funding. Under this arrangement, Macmahon Indonesia would transfer to the financier its option rights to put the New Macmahon Equipment to AMNT in return for the payment by AMNT of an amount equal to the New Cessation Amount (and any financier would be bound by any call option over the New Macmahon Equipment in favour of AMNT), in effect an agency arrangement.

[4] From an accounting perspective, components, refurbishments and rebuilds financed by Macmahon Indonesia and fitted on to AMNT equipment (as opposed to new equipment financed by Macmahon Indonesia) are not considered to be controlled by Macmahon as Macmahon does not own the equipment and will therefore be treated as a financial receivable with payments from AMNT for "depreciation" set off against the receivable as principal repayments. The 15% return on capital is recognised in revenue as income (with no related costs, e.g. depreciation).

		- over a period of three years for rebuilds, refurbishments and components; and - over the life of the asset for new assets acquired. As also noted above, Macmahon Indonesia will not be obliged to incur this expenditure, and can decline to fund Batu Hijau expenditure if it has competing demands for capital. In these circumstances, AMNT will fund the required expenditure, and Macmahon Indonesia will have the right to use the relevant equipment (free of charge) when performing services under the Renewed Mining Contract (but will not receive a Return on Capital Fee for that equipment).
(b)	Simplified Return on Capital Fee and KPI Fee	The current cost recovery provisions of the Existing Mining Contract will remain largely unchanged under the Renewed Mining Contract. Macmahon will continue to have the opportunity to generate profits by invoicing AMNT for a Return on Capital Fee and a KPI Fee. However these will apply as set out below. The Return on Capital Fee will be payable every month and will be an amount sufficient to provide Macmahon with a 15% return on the average written down value of the New Macmahon Equipment (including the AMNT Equipment initially purchased), reconciled on a six-monthly basis. The Return on Capital Fee will be payable in addition to the depreciation charges recovered from AMNT as described at paragraph 4(a) above. Unlike under the Existing Mining Contract, the Return on Capital Fee under the Renewed Mining Contract will not be linked to meeting KPIs. In addition to the Return on Capital Fee, a KPI Fee of up to US$5.1 million may be payable at the end of each 6 month period. The KPI Fee is calculated by reference to the whole Batu Hijau Phase 8 project's performance against cost per tonne targets (whereby Macmahon Indonesia receives 40% of any cost savings, capped at US$5.1 million per 6 month period). If the cost per tonne targets are not met, AMNT may, at its discretion, pay Macmahon Indonesia a KPI Fee having regard to availability and utilisation of truck fleet, productivity of shovels and total material moved for the relevant 6 month period.
(c)	Termination for convenience right	AMNT currently has the right to terminate the Existing Mining Contract if there are certain types of changes in the shareholding structure of Macmahon. This includes situations where the total interest in Macmahon of AMNT and its related parties is diluted to less than 40%, without AMNT having provided its prior written consent (though this right does not arise if AMNT sells shares voluntarily).

		Given the extended duration of the Phase 8 mining activities, the existing change of control termination right is being replaced with a general reciprocal right for either party to terminate the Renewed Mining Contract for convenience (without reason) on giving 60 days' notice. Each of AMNT and Macmahon Indonesia will therefore have the right to terminate the Renewed Mining Contract at any time for its convenience (provided it gives at least 60 days' notice). This is explained further at paragraph 5**Error! Reference source not found.** of this Information Memorandum.
(d)	Revised "cessation amount" to match depreciation profile	Like the Cessation Amount arrangement under the Existing Mining Contract, the Renewed Mining Contract will contain an obligation for AMNT to pay the New Cessation Amount in the event of termination. If the Renewed Mining Contract is terminated, Macmahon Indonesia will have a put option giving it the right to transfer the New Macmahon Equipment to AMNT, and AMNT will have a corresponding call option requiring Macmahon Indonesia to transfer the New Macmahon Equipment to it. If either the put option or call option is exercised (within 60 days following any termination of the Renewed Mining Contract) then AMNT must pay the New Cessation Amount to Macmahon Indonesia in return for the New Macmahon Equipment. The New Cessation Amount will represent the then written down value of the New Macmahon Equipment so transferred. If Macmahon were to seek to finance some or all of the acquisition costs of the New Macmahon Equipment (as contemplated at paragraph 3(e) above) it is envisaged that Macmahon may grant security over the AMNT Equipment and other relevant New Macmahon Equipment (or over other assets such as the Reserved Macmahon Equipment). As part of this arrangement, any financier would likely be transferred the right to exercise any put option over that equipment (and would be bound by any call option over that equipment in favour of AMNT). The New Macmahon Equipment will also be transferred from Macmahon Indonesia to AMNT once Macmahon Indonesia has recovered its capital expenditure in full through depreciation charges paid by AMNT on the basis set out at paragraph 4(a) above.
(e)	Application to other mineral prospects	The Existing Mining Contract purported to also apply to any other mineral prospects developed by AMNT and its related entities in the same mining area as Batu Hijau (such as the Elang and Nangka deposits) on the same terms even though the terms applicable to any other mines were not clear on the face of the Existing Mining Contract given that no scope or pricing was defined.

		The Renewed Mining Contract instead provides that if any mineral deposits are developed in the Elang prospect area, then Macmahon Indonesia will have the first right to submit a proposal to AMNT (which AMNT shall consider acting reasonably and in good faith and may then accept or reject). Macmahon considers that this change is acceptable on the basis that the Existing Mining Contract would likely not have been appropriate for any new mining areas given changes in resource requirements and work scope, so any proposal put forward under the Existing Mining Contract would have required renegotiation in any case.
(f)	Simplified and streamlined drafting	AMNT and Macmahon Indonesia have also taken the opportunity to simplify and streamline the contract drafting for the Renewed Mining Contract. They have done this with the benefit of a history of successful operations at the Batu Hijau mine (and to ensure that the terms of the agreement reflect the operating environment in place).

5. Effects of Renewed Mining Contract

The major effects of the proposed Renewed Mining Contract are expected to be as follows:

	Effect	**Description and key advantages / disadvantages**
(a)	Increased tenure	While the Existing Mining Contract is a life of mine arrangement, budgeting and other arrangements are determined on a phase by phase basis. The Renewed Mining Contract formalises arrangements in relation to the Phase 8 expansion and the resultant extension of mine life and will therefore lock-in a corresponding extension to the period for which Macmahon will be providing mining services at the Batu Hijau Mine. The extension provides Macmahon with greater certainty as to the commercial terms relating to future works under its cornerstone, and profitable, mining services contract until the end of the extended life of mine (currently estimated to end on 30 June 2028).
(b)	Increased investment by Macmahon in equipment at Batu Hijau	The overall effect of the funding of New Macmahon Equipment (including the initial acquisition of the AMNT Equipment) will be to increase the current notional Written Down Value of Macmahon's investment in plant and equipment at the Batu Hijau Mine site, as noted above.

		Macmahon's increased investment in New Macmahon Equipment at the Batu Hijau Mine will increase Macmahon's exposure to risks associated with Indonesia and the Batu Hijau Mine. However, it is important to note that Macmahon has now been operating successfully at the Batu Hijau Mine since 2017, and the New Cessation Amount that would be payable to Macmahon in the event of any termination of the Renewed Mining Contract (including on termination for convenience) will match the increased notional Written Down Value of Macmahon's equipment. Macmahon is therefore confident that the benefits of the increased investment in equipment (in the form of the Return on Capital Fee) far outweigh the risks.
(c)	Maintenance of profitability	While the exact detail of Macmahon's expected profitability under the Renewed Mining Contract is commercially sensitive, Macmahon confirms that based on its modelling the Renewed Mining Contract is expected to: • result in ongoing earnings over the life of Phase 8 (compared to lower earnings anticipated under the Existing Mining Contract over the same period given that the Macmahon Equipment now has a Written Down Value of $ nil), with such earnings generated from lower overall revenues than anticipated under the current structure; • reduce pass-through costs currently at no margins under Phase 8 accounting - as pass-through costs will no longer be recognised as a gross up to revenue this will result in improved margins (however it also result in a reduction to the order book to remove these pass-through costs from revenue of circa US$500M over the remaining 5.5 year term; • generate an EBIT margin and a return on capital employed that exceeds Macmahon's tender hurdle rates for similar contracts in Australia and that exceeds the EBIT margin and return on capital employed anticipated under the Existing Mining Contract (if that contract were to continue for Phase 8); and • result in Phase 8 (and the cashflows to be received under it) providing an attractive uplift in post-tax net present value for Macmahon, in excess of the current Phase 7 contract over the remaining contract term, due to the ability to invest sustaining capital and earn a 15% return on this investment. Macmahon Indonesia (at Macmahon Indonesia's election) currently expects to incur approximately US$25 million - US$35 million of on balance sheet sustaining capex per year during Phase 8.

		The enhanced Renewed Mining Contract's profitability over the term of Phase 8 results from, amongst other things: • the revised fee structure under the Renewed Mining Contract, as described above; and • the improved return on capital profile (especially given the ability to involve third party funding arrangements).
(d)	Change to termination rights	As noted above, AMNT will now have a general right to terminate for convenience (on 60 days' notice) rather than a more limited right arising following a change in AMC's shareholding percentage in Macmahon. Macmahon considers that the effect of this change will be of limited impact for the following reasons: (a) it is not uncommon for mining services contracts to contain such a right (although the Existing Mining Contract does not); and (b) notwithstanding such expanded termination rights, in practice it would likely be expensive for AMNT to terminate the Renewed Mining Contract during its term because AMNT would be required to pay the New Cessation Amount referred to above, and this and other transition risks would act as a natural deterrent to any exercise of either right. Macmahon is not aware of any current intention of AMNT to terminate the Existing Mining Contract or Renewed Mining Contract. Macmahon will also gain a right to terminate for convenience on equivalent terms.

6. Listing Rule 10.1

(a) Outline of listing rule 10.1

ASX Listing Rule 10.1 provides that a listed entity (such as Macmahon) must ensure that neither it, nor any of its subsidiaries (such as Macmahon Indonesia), acquires a substantial asset from, or disposes of a substantial asset to (amongst other persons):

(a) a substantial holder of the entity; or

(b) an associate of a substantial holder of the entity,

without the prior approval of the entity's shareholders.

(b) Substantial asset

For the purposes of Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules. Macmahon's financial report for the financial year to 30 June 2022 (being the latest accounts given to ASX) show equity interests of $559.5 million. The substantial asset level for Listing Rule 10.1 purposes is therefore approximately $28.0 million (being 5% of $559.5 million).

Key elements of the Batu Hijau Contract Renewal Arrangements involve Macmahon Indonesia:

(a) acquiring the AMNT Equipment from AMNT;

(b) transferring the Macmahon Equipment to AMNT (in return for the Cessation Amount of $ nil) upon termination of the Existing Mining Contract; and

(c) transferring the New Macmahon Equipment to AMNT at some future time once it has recovered the capital expenditure on that New Macmahon Equipment or upon any future termination of the Renewed Mining Contract (in return for the New Cessation Amount).

Notwithstanding the fact that the Macmahon Equipment has been written down to zero (and Macmahon Indonesia has recouped a depreciation fee from AMNT equal to the original cost of that equipment), the Macmahon Equipment may have a market value that exceeds AUD$28 million. The value of the New Macmahon Equipment cannot be ascertained at this time, but may exceed AUD$28 million depending on the timing of its transfer (which may be while it still has residual value in circumstances where the Renewed Mining Contract is terminated) and prevailing exchange rates at that time. The AMNT Equipment is being acquired for an independently assessed market value of no more than US$35 million[5], however, is being acquired in connection with a broader commercial transaction with AMNT. Therefore, to be prudent, the Company has taken the view that each of the AMNT Equipment, the Macmahon Equipment and the New Macmahon Equipment is considered to be a substantial asset for the purposes of the Listing Rules.

(c) Substantial holder

For the purposes of Listing Rule 10.1, a substantial holder is a person who has (or had at any time in the 6 months before the transaction) a relevant interest in at least 10% of the total votes attaching to the voting securities of the Company. AMC holds a relevant interest in approximately 44.3% of the shares in Macmahon and is therefore a substantial holder for these purposes. AMNT, as an associate (and the controller) of AMC, is also taken to be a substantial holder for the purposes of Listing Rule 10.1.

(d) Requirement for shareholder approval

As the Batu Hijau Contract Renewal Arrangements result in the acquisition by Macmahon Indonesia of a substantial asset (the AMNT Equipment), the disposal by Macmahon Indonesia of a substantial asset (the Macmahon Equipment), and the potential future disposal by Macmahon Indonesia of a further substantial asset (the New Macmahon Equipment) to a substantial holder, Macmahon is required to seek Shareholder approval under ASX Listing Rule 10.1.

If the Resolution is approved by Shareholders, then the Batu Hijau Termination Agreement and the Renewed Mining Contract will take effect (assuming all other Conditions are satisfied). If the Resolution is not approved by Shareholders, then Macmahon Indonesia will not be able to proceed with the Batu Hijau Contract Renewal Arrangements and Macmahon Indonesia will instead continue to provide services under the current Phase 7 contract which (for the reasons described in this Information Memorandum) will be less favourable for Macmahon.

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[5] This price has been determined using a notional IDR: USD exchange rate of 15,000:1, which will be adjusted (in accordance with the Renewed Mining Contract) to reflect the actual JISDOR spot price on the business day prior to completion, subject to the US$35 million cap. A USD: AUD exchange rate of 0.72 has been assumed.

(e) Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act also regulates transactions between a public company and its related parties. However, unlike Listing Rule 10.1, Chapter 2E contains an exception to the need for shareholder approval where any financial benefit that may be given by the public company is on terms that would be reasonable (in the circumstances) if the public company and the related party were dealing at arms' length.

Macmahon has received external advice in respect of the commercial and legal effects of the Batu Hijau Contract Renewal Arrangements and (with the assistance of that advice) has carefully considered the terms of the Batu Hijau Contract Renewal Arrangements (including the acquisition of the AMNT Equipment, the transfer of the Macmahon Equipment, and the potential transfer of the New Macmahon Equipment) against its internal hurdles and assessment criteria. Based on this assessment and advice, the Independent Directors are of the view that the Batu Hijau Contract Renewal Arrangements would be pursued, and the AMNT Equipment acquired, and the Macmahon Equipment (and, potentially, the New Macmahon Equipment) transferred, irrespective of the identity of the counterparty. Macmahon is therefore comfortable that the arm's length exception applies, and no separate shareholder approval is being sought under Chapter 2E of the Corporations Act.

7. Governance process and exclusion of AMNT Nominees

In relation to the deliberations of the Independent Directors, Macmahon notes that the Batu Hijau Contract Renewal Arrangements were designated (by the Board) as a sensitive matter for the purposes of the Nominee Conflict and Confidentiality Protocol. As a result, the AMNT Nominees on the Board have been excluded from all Macmahon internal deliberations, and have not received sensitive information from Macmahon, in relation to the Batu Hijau Contract Renewal Arrangements and their terms.

Further details on the governance processes in place between Macmahon and AMNT are set out in paragraphs 4.3, 4.5 and 4.6 of the Explanatory Statement to the Notice of General Meeting released by Macmahon to ASX on 13 June 2017 in connection with the shareholder approvals obtained at the general meeting held on 12 July 2017.

8. Independent Expert's Report

As required by ASX Listing Rule 10.5, the Company has appointed the Independent Expert to report on the acquisition of the AMNT Equipment, the transfer of the Macmahon Equipment and the potential future transfer of the New Macmahon Equipment. Shareholders are urged to carefully consider the IER for the purposes of deciding how to vote on the Resolution. The Independent Expert's Report is set out at Annexure A to the Notice.

The Independent Expert has concluded that acquisition of the AMNT Equipment, the transfer of the Macmahon Equipment and the potential future transfer of the New Macmahon Equipment, are fair and reasonable to Shareholders other than AMNT (and its associates).

9. Specific Information Required by Listing Rule 10.5

Pursuant to, and in accordance with, the requirements of ASX Listing Rule 10.5, the following information is provided in relation to the Resolution:

(a) Macmahon Indonesia will:

   (i) acquire the AMNT Equipment (pursuant to the Renewed Mining Contract) from AMNT;

(j) transfer the Macmahon Equipment (as a consequence of the Batu Hijau Termination Agreement terminating the Existing Mining Contract) to AMNT; and

(k) transfer the New Macmahon Equipment (pursuant to the terms of the Renewed Mining Contract, once it has recovered the capital expenditure on that New Macmahon Equipment or upon any termination of that contract) to AMNT,

on the terms described above. Even if Macmahon were to seek to finance some or all of the acquisition costs of the New Macmahon Equipment (as contemplated at paragraph 3(e) above) it is envisaged that Macmahon would grant security over the AMNT Equipment and other relevant New Macmahon Equipment (or over other assets such as the Reserved Macmahon Equipment). As part of this arrangement, any financier would likely be transferred the right to exercise any put option over that equipment (and would be bound by any call option over that equipment in favour of AMNT). The financier would (ultimately) still be transferring the New Macmahon Equipment to AMNT under these arrangements.

(b) Details of the AMNT Equipment to be acquired from AMNT are set out at paragraph 3(d) of this Information Memorandum. Details of the Macmahon Equipment (that will be transferred to AMNT) are set out at paragraph 3(c) of this Information Memorandum. Details of the New Macmahon Equipment (other than the AMNT Equipment) cannot yet be provided as this equipment will only be identified and acquired once the Renewed Mining Contract becomes operative. However, the nature of the New Macmahon Equipment is described at paragraph 3(d) of this Information Memorandum.

(c) In accordance with the terms of the Batu Hijau Contract Renewal Arrangements:

(i) Macmahon Indonesia will pay an independently assessed market value of not more than US$35 million (excluding VAT)[6] to AMNT in return for the acquisition of the AMNT Equipment;

(ii) AMNT will pay the Cessation Amount to Macmahon Indonesia (which is $ nil, for the reasons outlined at paragraph 3(d) of this Information Memorandum) in return for the acquisition of the Macmahon Equipment (upon termination of the Existing Mining Contract); and

(iii) AMNT will pay the New Cessation Amount to Macmahon Indonesia (which will be equal to the then written down value of the New Macmahon Equipment) in return for the acquisition of the New Macmahon Equipment upon any potential future termination of the Renewed Mining Contract (or the New Macmahon Equipment will be transferred once Macmahon Indonesia has recovered its capital expenditure in full through depreciation charges paid by AMNT).

(d) Macmahon Indonesia will:

(i) source the funds for the acquisition of the AMNT Equipment from existing cash; and

(j) use any funds to be received by it (that is, any receipt of the New Cessation Payment) for general working capital purposes and to further its other activities.

(e) The transfer of the Macmahon Equipment to AMNT will occur as soon after 1 January 2023 as all Conditions are satisfied, or on such other date as the parties agree in writing. Any potential transfer of the New Macmahon Equipment will only occur at some future time once: (i) the Renewed Mining Contract takes effect; (ii) any New Macmahon Equipment is acquired by

[6] This price has been determined using a notional IDR:USD exchange rate of 15,000:1, which will be adjusted (in accordance with the Renewed Mining Contract) to reflect the actual JISDOR spot price on the day prior to completion, subject to the US$35 million cap. A USD:AUD exchange rate of 0.72 has been assumed.

Macmahon Indonesia; and (iii) the Renewed Mining Contract is subsequently terminated or once Macmahon Indonesia has recovered its capital expenditure through depreciation charges paid by AMNT.

(f) The acquisition of the AMNT Equipment and the transfer of the Macmahon Equipment (other than the Reserved Macmahon Equipment) will occur in accordance with the provisions of the Existing Mining Contract (as considered and approved by Shareholders at a general meeting held on 12 July 2017), the Batu Hijau Termination Agreement and the Renewed Mining Contract (which is described at paragraph 3 of this Information Memorandum). Any potential future transfer of the New Macmahon Equipment will occur in accordance with the terms of the Renewed Mining Contract (which is described at paragraphs 4 and 5 of this Information Memorandum). If New Macmahon Equipment is transferred, it must be transferred free of all encumbrances, together with all components and consumables installed on that equipment, and with the benefit of all subsisting warranties relating to that equipment. As noted above, if Macmahon were to seek to finance some or all of the acquisition costs of the New Macmahon Equipment, then any transfer upon termination of the Renewed Mining Contract may occur via that financier.

(g) A voting exclusion statement in relation to the Resolution is included in the Notice.

(h) An Independent Expert's Report has been attached at Annexure A. It considers whether the acquisition of the AMNT Equipment, the transfer of the Macmahon Equipment, and the potential transfer of the New Macmahon Equipment, is fair and reasonable to Shareholders other than AMNT (and its associates).

10. Directors' Interests and Recommendation

As noted above, the AMNT Nominees on the Board of Macmahon have been excluded from all internal Macmahon deliberations on this matter. Given their nominee status, and relationship with AMNT the AMNT Nominees abstain from making any recommendation to Shareholders in connection with the Resolution.

Recommendation: The Independent Directors, having reviewed the Independent Expert's Report, unanimously recommend that Shareholders vote in favour of the Resolution. The Chair intends to vote all undirected proxies in favour of the Resolution where permitted to do so.

Annexure A

Independent Expert's Report

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The Independent Directors
Macmahon Holdings Limited
15 Hudswell Road
Perth Airport WA 6105

10 February 2023

Subject: Independent Expert's Report – proposed Batu Hijau Phase 8 contract

Dear Independent Directors

Introduction

1 Macmahon Holdings Limited and/or its subsidiaries (Macmahon or the Company) recently announced the following:

(a) the proposed termination of the existing life of mine, alliance (and cost plus) style mining contract between Macmahon Holdings Limited and/or its subsidiaries (Macmahon or the Company) and PT Amman Mineral Nusa Tenggara and affiliated entities (AMNT) for the Batu Hijau copper-gold mine in Indonesia owned by AMNT (originally entered into in 2017 and subsequently varied) (the Existing Mining Contract), pursuant to which plant and equipment[1] will be transferred from Macmahon to AMNT at written down value (WDV) (expected to be $nil), noting that this proposed termination is conditional upon the proposed award of the New Mining Contract (refer part (b))

(b) the proposed award of a new fit for purpose life of mine mining contract at Batu Hijau (the New Mining Contract), whereby plant and equipment[2] which is Macmahon Funded Capex[3] will be transferred at the expiry or termination of the New Mining Contract (or at such time as the assets are fully paid for by AMNT by the monthly depreciation

[1] Defined as "*Macmahon Equipment*" under Section 2 of the Information Memorandum attached to the Notice of Meeting.

[2] Defined as "*New Macmahon Equipment*" under Section 2 of the Information Memorandum attached to the Notice of Meeting.

[3] Under the New Mining Contract, Macmahon will have the option (at its election) to fund rebuilds or refurbishments of, and new components for, AMNT's plant and equipment and/or other capital expenditure (which may include new trucks) in respect of Batu Hijau plant and equipment. Rebuilds, refurbishments, components and other capital expenditure paid for by Macmahon (Macmahon Funded Capex) will be owned by Macmahon, even where affixed to, or incorporated in, AMNT's plant and equipment.

charge) from Macmahon to AMNT (under the put and call structure[4] [5]) in return for the payment by AMNT of an amount equal to the WDV of the assets

(c) the potential third party financing arrangements pursuant to which a third party financier may provide funding to Macmahon (on arm's length terms) for a portion of the Macmahon Funded Capex (the Potential Third Party Financing[6]). We understand that under the Potential Third Party Financing, and in accordance with the termination provisions of the New Mining Contract, Macmahon will transfer to the financier its option rights to put the plant and equipment which is Macmahon Funded Capex to AMNT in return for the payment by AMNT of an amount equal to its WDV

(d) the proposed upfront purchase of additional equipment[7] by Macmahon from AMNT[8] for a purchase price equal to the market value of the equipment (to be determined by an independent valuer), to be included in Macmahon Funded Capex in accordance with the New Mining Contract

(collectively, the Proposed Transaction).

2 Macmahon is an international contract mining services company specialising in providing the full suite of surface and underground mining services, as well as related engineering design and fabrication and maintenance services. In addition to AMNT, customers serviced by the Company include (inter alia) AngloGold Ashanti Australia, BHP and Newcrest Mining. Macmahon is headquartered in Perth, with operations currently in Australia, Indonesia and Malaysia.

3 AMNT is an Indonesian mining company which owns and operates the Batu Hijau project, which is one of several projects / prospects in the copper-gold concession held by AMNT on the island of Sumbawa, Nusa Tenggara, Indonesia. Batu Hijau is the second largest operating copper-gold mine in Indonesia and commenced production in 2000.

4 AMNT (indirectly) owns 44.3% of the issued share capital in Macmahon and is a substantial holder of the Company under the *Corporations Act 2001* (Cth) (Corporations Act).

5 The Proposed Transaction is subject to certain conditions which are summarised in Section I of this report.

Scope

6 Macmahon is listed on the Australian Securities Exchange (ASX) and is therefore subject to the ASX Listing Rules, in particular the rules that apply to related party transactions. The proposed transfers of assets pursuant to both the Existing Mining Contract and the proposed New Mining Contract are considered related party transactions under ASX Listing Rule 10.1, and must be approved by way of an ordinary resolution (at a general meeting) by the shareholders in Macmahon that are not associated with AMNT (Non-Associated Shareholders).

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4 Refer paragraph 27 below as to the description of the put and call structure referred to.

5 Or as amended to reflect the security and repayment rights (on normal arm's length commercial terms) associated with any Potential Third Party Financing.

6 The Potential Third Party Financing is a tripartite arrangement and will result in off balance sheet funding.

7 Defined as "*AMNT Equipment*" under Section 2 of the Information Memorandum attached to the Notice of Meeting.

8 Provided the market value is not more than US$35 million.

7 ASX Listing Rule 10.5 requires the notice of general meeting in respect of such approval to include a report from an independent expert stating whether the proposed related party transaction is "fair and reasonable" to the Non-Associated Shareholders.

8 Accordingly, the directors of Macmahon have requested that Lonergan Edwards & Associates (LEA) prepare an independent expert's report (IER) stating whether, in our opinion:

(a) the transfer of plant and equipment under the Existing Mining Contract

(b) the future transfer of plant and equipment under the New Mining Contract; and

(c) the purchase of additional equipment from AMNT[9]

is fair and reasonable to Macmahon shareholders other than AMNT or its associates and the reasons for that opinion.

9 LEA is independent of Macmahon and AMNT and has no other involvement or interest in the Proposed Transaction other than the preparation of this report.

Summary of opinion

Opinion on the transfer of plant and equipment under the Existing Mining Contract

10 In our opinion, the transfer of plant and equipment owned by Macmahon at the Batu Hijau mine site to AMNT upon termination of the Existing Mining Contract for a price equal to the written down value of the plant and equipment (which is expected to be nil) is fair and reasonable to the Non-Associated Shareholders.

11 We are of this opinion because:

(a) Macmahon has a legal obligation (under the Existing Mining Contract) to transfer the plant and equipment to AMNT upon the termination or expiry of the Existing Mining Contract

(b) the consideration being paid to Macmahon for the transfer of this plant and equipment reflects the terms of the Existing Mining Contract

(c) Macmahon is unable to derive any further monetary benefits from the plant and equipment under the terms of the Existing Mining Contract (as Macmahon will have fully recovered the capital cost of the plant and equipment under the Existing Mining Contract by the termination date, plus a 15% (pre-tax) per annum rate of return on its investment)

(d) Macmahon is not entitled to the residual value of the plant and equipment on termination or expiry of the Existing Mine Contract.

12 Given the above, the actual current market value of the plant and equipment is irrelevant as regards the opinion being provided. Whilst Macmahon will not receive any actual consideration for the transfer of the plant and equipment, this is appropriate because of the matters noted above.

9 Provided the market value is not more than US$35 million.

Opinion on the future transfer of plant and equipment under the New Mining Contract

13 In our opinion, any future transfer of plant and equipment which is Macmahon Funded Capex at the expiry or termination of the New Mining Contract (or at such time as the assets are fully paid for by AMNT by the monthly depreciation charge) from Macmahon to AMNT (under the put and call structure) in return for the payment by AMNT of an amount equal to the WDV of the assets is fair and reasonable to the Non-Associated Shareholders.

14 We are of this opinion because:

(a) the New Mining Contract is an alliance (and cost plus) style contract whereby Macmahon will be reimbursed for all capital investments made in plant and equipment required for the Batu Hijau mine (as Macmahon will be paid a depreciation allowance in respect of this equipment each year), plus a 15% (pre-tax) per annum rate of return on its investment (net of the amount recovered through depreciation charges)

(b) upon termination or expiry of the New Mining Contract or at such time as the assets are fully paid for by AMNT by way of the monthly depreciation charge[10], Macmahon will be required to transfer the plant and equipment to AMNT for the WDV of the plant and equipment at that date (being the original cost of the plant and equipment less the depreciation charges received). This provides Macmahon with certainty that it will recover its investment in plant and machinery in full without having to find a buyer for the plant and equipment at that time (which could be difficult given the location of the plant and equipment and the costs to deliver it to a purchaser). It is also consistent with the alliance (and cost plus) style nature of the contract (which should not, and does not, expose Macmahon to loss in the event the New Mining Contract is terminated) and is appropriate as Macmahon should not be entitled to the residual value of the plant and equipment in circumstances where it will fully recover its investment in plant and equipment plus an appropriate rate of return under the New Mining Contract

(c) in our opinion, the 15% (pre-tax) per annum rate of return to be generated by Macmahon on the investment in plant and equipment is at or above the arm's length rate of return that would be required given the terms of the New Mining Contract and is comparable with the (potential) rate of return on capital employed under the Existing Mining Contract[11].

Opinion on purchase of additional equipment from AMNT

15 In our opinion, the purchase of additional equipment by Macmahon from AMNT[12] for a purchase price equal to the market value of the equipment (to be determined by an independent valuer) is fair and reasonable to the Non-Associated Shareholders.

16 We are of this opinion because:

(a) the purchase price will be equal to the independently assessed market value of the equipment to be acquired (and therefore, by definition, must be fair when assessed based on the guidelines set out in Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111))

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10 In which case, the WDV would be $nil.

11 Subject to the satisfaction of specified key performance indicators (KPI) under the Existing Mining Contract, which is not required under the new contract.

12 Provided the market value is not more than US$35 million.

(b) Macmahon will recover its investment in the equipment plus a 15% rate of return on the WDV in accordance with the terms of the New Mining Contract.

Key benefits of the New Mining Contract

17 The above matters focus on the clauses of the Existing Mining Contract and New Mining Contract with respect to the transfer of plant and equipment upon termination / expiry only (and the proposed acquisition of the additional equipment). This is because only these asset transfers (and any future asset transfers of plant and equipment under the New Mining Contract) require shareholder approval under ASX Listing Rule 10.1.

18 Both LEA and the Directors of Macmahon consider that the New Mining Contract reflects arm's length terms, and provides significant benefits to Macmahon over and above those reflected in the Existing Mining Contract. Accordingly, shareholder approval of the New Mining Contract is not required.

19 However, to assist Macmahon shareholders we have also set out in Section VII a summary of the advantages and disadvantages of the New Mining Contract compared to the Existing Mining Contract.

20 On balance, we consider that the key terms of the New Mining Contract appear more favourable to Macmahon than those set out in the Existing Mining Contract.

Other matters

21 In preparing this report, we have considered the interests of Macmahon shareholders as a whole (other than those associated with AMNT). Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

22 The ultimate decision by Macmahon shareholders whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction. This report has been provided for the benefit of shareholders in Macmahon not associated with AMNT.

23 If in doubt about the Proposed Transaction or matters dealt with in our report, Macmahon shareholders should seek independent professional advice. For our full opinion on the asset transfers (incorporated in the Proposed Transaction), and the reasoning behind our opinion, we recommend that Macmahon shareholders read the remainder of our report.

Yours faithfully

Craig Edwards
Authorised Representative

Martin Holt
Authorised Representative

Table of contents

Appendices

I Key terms of the Proposed Transaction

Background

24 In May 2017, Macmahon entered into an agreement with AMNT pursuant to which:

(a) Macmahon was awarded the Existing Mining Contract

(b) Macmahon acquired certain existing equipment[13] at Batu Hijau from AMNT in order to undertake the Existing Mining Contract. These equipment assets were independently valued at US$145.6 million

(c) in consideration for the acquisition of the equipment, Macmahon issued approximately 954.1 million new Macmahon shares to AMNT's subsidiary, Amman Mineral Contractors (Singapore) Pte. Ltd[14] (AMC). This resulted in AMC holding a 44.3% voting interest in Macmahon post completion.

25 Under the Existing Mining Contract, it is relevant to note the following:

(a) the pricing mechanism allows for the agreed plant and equipment value (being that acquired by Macmahon) to be recouped via monthly depreciation charges to AMNT over a five year period

(b) AMNT agreed to fund any significant additional equipment required in the future and to provide the use of this equipment to Macmahon free of charge (noting that any additional mining equipment can be purchased by Macmahon if the parties both agree the purchase price and the depreciation period. If the parties cannot agree, then AMNT must buy the additional equipment)

(c) in the event of termination, AMNT is required to repurchase the said plant and equipment at a "pre-agreed value" (being the WDV), which decreases to $nil over five years.

Proposed revised arrangements

Existing Mining Contract – termination and asset transfer

26 The proposed revised arrangements with AMNT are such that:

(a) the Existing Mining Contract will be terminated by way of a termination agreement

(b) upon termination of the Existing Mining Contract, Macmahon will, pursuant to the terms of the Existing Mining Contract (and except as noted below), be required to transfer the plant and equipment that it owns at the Batu Hijau mine site to AMNT.

This includes the bulk of the original plant and equipment fleet purchased by Macmahon from AMNT in 2017 (together with components installed in, and refurbishments performed on, that fleet over time which has all been at AMNT's cost).

In addition, during the 2021 year, Macmahon added new fleet which is currently still being paid for by AMNT via the monthly depreciation charge and will remain with

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13 Including loading equipment, trucks, ancillary and support assets.

14 AMC is owned 65% by AMNT and 35% by PT AP Investments. PT AP Investments also owns 50% of PT Amman Mineral International, which in turn owns 82.2% of AMNT.

Macmahon and not transition back to AMNT on the proposed termination of the Existing Mining Contract. Instead, these assets will transition into Phase 8 under the New Mining Contract and will not transition to AMNT until such time as they have been fully paid for by AMNT via the monthly depreciation charge

(c) the Macmahon plant and equipment to be transferred to AMNT will be transferred in return for the payment by AMNT of the cessation amount specified by the existing mining contract.

As the termination will occur after 31 July 2022, that cessation amount will be $nil, which will reflect the fact that Macmahon will have written down the book value of that equipment to zero over the life of the Existing Mining Contract (and been paid a depreciation charge equal to 100% of the original cost of the equipment and a return on its investment in plant and equipment by AMNT under the terms of the Existing Mining Contract). This mechanism (that is, the transfer of the plant and equipment to AMNT on termination of the Existing Mining Contract) is consistent with the terms of the Existing Mining Contract.

Macmahon Funded Capex under New Mining Contract

27 The termination of the Existing Mining Contract will be conditional on the award of the New Mining Contract at Batu Hijau (which will, among other things, extend in-pit mining through to 2028). Under the New Mining Contract:

(a) Macmahon will have the option (at its election) to fund rebuilds or refurbishments of, and new components for, AMNT's plant and equipment and/or other capital expenditure (which may include new trucks)[15] in respect of Batu Hijau plant and equipment. Rebuilds, refurbishments, components and other capital expenditure paid for by Macmahon (Macmahon Funded Capex) will be owned by Macmahon, even where affixed to, or incorporated in, AMNT's plant and equipment. Macmahon has Indonesian legal advice that confirms this is permissible

(b) an annual capex budget will be prepared and agreed and this will set out amounts of Macmahon Funded Capex proposed to be paid for by Macmahon[16]. If Macmahon chooses not to fund particular invoices for rebuilds, new components or other capital expenditure, then it will notify AMNT, in which case AMNT will be required to fund those items (and those items will not become Macmahon Funded Capex)

(c) the Macmahon Funded Capex will be depreciated over three years for refurbishments and components, or over the life of the asset for new assets acquired. This depreciation will be recovered in full by Macmahon from AMNT by way of the payment of a monthly depreciation charge. Once these assets are fully paid for by AMNT by way of the monthly depreciation charge mechanism they will transfer to AMNT

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15 These rebuilds / components may also relate to some of the Macmahon retained assets referred to in paragraph 26(b).

16 As stated above, pursuant to which a third party financier may provide funding to Macmahon (on arm's length terms) for a portion of the Macmahon Funded Capex (the Potential Third Party Financing). We understand that the Potential Third Party Financing is a tripartite arrangement and will result in off balance sheet funding. Furthermore, under the Potential Third Party Financing and in accordance with the termination provisions of the New Mining Contract, Macmahon will transfer to the financier its option rights to put the plant and equipment which is Macmahon Funded Capex to AMNT in return for the payment by AMNT of an amount equal to its WDV.

(d) Macmahon will earn a return on capital (ROC) fee of 15% of the average WDV of the Macmahon Funded Capex. The ROC fee will initially be calculated based on the capex budget agreed between Macmahon and AMNT, but will be reconciled to actual amounts of expenditure every six months. Macmahon will also be paid its reimbursable costs, including depreciation amounts to reimburse Macmahon for the cost of the Macmahon Funded Capex over the useful life of the relevant items of Macmahon Funded Capex

(e) upon termination of the New Mining Contract, Macmahon will have the right to put the Macmahon Funded Capex to AMNT for a cessation amount reflecting the remaining WDV of the Macmahon Funded Capex. AMNT will also have a call option requiring Macmahon to transfer the Macmahon Funded Capex to AMNT for the cessation amount (which will be an amount equal to the remaining WDV of the Macmahon Funded Capex which Macmahon has not yet recovered from AMNT by way of the monthly depreciation charge mechanism)

(f) AMNT currently has the right to terminate the Existing Mining Contract if there are certain types of changes in the shareholding structure of Macmahon. This includes situations where the total interest in Macmahon of AMNT and its related parties is diluted to less than 40%, without AMNT having provided its prior written consent (though this right does not arise if AMNT sells shares voluntarily). Under the current structure, this termination right must be exercised within 12 months of it arising or it will lapse. The New Mining Contract will not include the 12 month time limit. AMNT will therefore have the right to terminate the New Mining Contract at any time following a change in Macmahon's shareholding structure which triggers the termination right (rather than only for 12 months).

Purchase of additional equipment

28 Under the New Mining Contract, Macmahon will purchase additional equipment from AMNT[17] for a purchase price equal to the market value of the equipment (to be determined by an independent valuer). We understand that the additional equipment is required to be purchased by Macmahon for the purposes of providing security to its equipment financiers.

Key terms of New Mining Contract

29 The key terms of the New Mining Contract are set out in Annexure B to the Notice of Meeting.

30 We have been advised that the agreed terms of the proposed New Mining Contract (and related termination of the Existing Mining Contract) are the result of a prolonged period of negotiation between Macmahon and AMNT that was carried out between the two parties on an arm's length basis.

31 Both LEA and the Directors of Macmahon consider that the New Mining Contract reflects arm's length terms, and provides significant benefits to Macmahon over and above those reflected in the Existing Mining Contract. Accordingly, shareholder approval of the New Mining Contract is not required.

Key conditions

32 Macmahon shareholders should refer to the Notice of Meeting for details of the key conditions of the Proposed Transaction.

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[17] Provided the market value is not more than US35 million.

II Scope of our report

Corporations Act

33 Chapter 2E of the Corporations Act prohibits (in all but limited circumstances) a public company from "giving a financial benefit" to a "related party" without the approval of the securityholders that are not a party to the transaction. An exemption to the need for shareholder approval is where the transaction is undertaken on an arm's length basis.

34 Both LEA and the Directors of Macmahon consider that the New Mining Contract reflects arm's length terms, and provides significant benefits to Macmahon over and above those reflected in the Existing Mining Contract. Accordingly, shareholder approval of the New Mining Contract is not required.

ASX Listing Rules

35 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial asset to a substantial holder (of >10% of the entity's voting power) or an associate of a substantial holder without the approval of holders of the entity's ordinary securities. Approval is required by ordinary resolution at a general meeting.

36 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity.

37 Whilst the plant and equipment to be transferred pursuant to the terms of the Existing Mining contract are expected to be transferred for no consideration, the market value of the plant and equipment may exceed 5% of the book value of the equity in Macmahon as set out in the financial statements given to the ASX for FY22. Further, as AMNT is considered a related party of Macmahon by virtue of the fact that it is an associate of AMC (the largest shareholder in Macmahon), the proposed asset transfers under both the Existing Mining Contract and the New Mining Contracts (including the purchase of the additional equipment and any asset transfers the subject of Potential Third Party Financing arrangements) are considered to be (potential) related party transactions under ASX Listing Rule 10.1.

38 ASX Listing Rule 10.5.10 requires that the notice of general meeting seeking shareholder approval for these asset transfers includes a report from an independent expert stating whether these asset transfers (incorporated in the Proposed Transaction) are fair and reasonable to non-associated holders of the entity's ordinary securities.

Our engagement

39 Given the above, the Independent Directors of Macmahon have requested that LEA prepare an IER stating whether, in our opinion:

(a) the transfer of plant and equipment under the Existing Mining Contract

(b) the future transfer of plant and equipment under the New Mining Contract; and

(c) the purchase of additional equipment from AMNT[18]

is fair and reasonable to the Non-Associated Shareholders and the reasons for that opinion.

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18 Provided the market value is not more than US35 million.

40 This report has been prepared by LEA for the benefit of Macmahon shareholders to assist them in considering the resolution(s) to approve the proposed asset transfers. Our report will accompany the Notice of Meeting to be sent to Macmahon shareholders. The sole purpose of our report is to determine whether, in our opinion, the proposed asset transfers are fair and reasonable to the Non-Associated Shareholders. This report should not be used for any other purpose.

41 The ultimate decision whether to approve the proposed asset transfers should be based on each Macmahon shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the proposed asset transfers or matters dealt with in this report, Macmahon shareholders should seek independent professional advice.

Basis of assessment

42 In preparing our report, we have had regard to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 76 – *Related party transactions* and RG 111, as well as the ASX Listing Rules.

43 The ASX Listing Rules do not define the meaning of, or describe the test to be applied in determining whether a related party transaction is "fair and reasonable". We note however, that RG 111 expressly states that the evaluation of a related party transaction should be based upon a separate assessment of "fairness" and "reasonableness". RG 111 further states that the transaction should not be assessed simply by reference to the advantages and disadvantages of the transaction (as ASIC does not consider this to provide members with sufficient valuation information).

44 Pursuant to RG 111, a related party transaction per ASX Listing Rule 10:

(a) is "fair" if the value of the financial benefits to be provided by the entity to the related party (in this case the transfer of assets and cash payment being made by Macmahon as consideration for the components and equipment improvements acquired from AMNT, and any other value provided by Macmahon) is equal to or less than the market value of the assets and other benefits to be acquired. This comparison is required to be made assuming an arm's length transaction between knowledgeable and willing, but not anxious parties

(b) is "reasonable" if it is "fair". A related party transaction may also be "reasonable" despite being "not fair" if the expert believes there are other reasons for non-associated shareholders to vote for the proposal.

45 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the asset transfers (incorporated in the Proposed Transaction) are "fair" and "reasonable" to the Non-Associated Shareholders is to consider:

(a) **transfer of existing plant and equipment under Existing Mining Contract**:

(i) the terms of the Existing Mining Contract regarding the transfer of plant and equipment at termination or expiry

(ii) the extent to which Macmahon has recovered its investment in the plant and equipment under the Existing Mining Contract through depreciation charges and the return on capital charge

(iii) the WDV of the assets being disposed of (calculated in accordance with the terms of the Existing Mining Contract)

(iv) the consideration to be paid for the assets being disposed of

(v) the extent to which the proposed transfer of plant and equipment is "fair" and "reasonable" under RG 111 having regard to the above (particularly the legal obligation on Macmahon to transfer the plant and equipment in accordance with the Existing Mining Contract, and its inability to extract any further value from the assets under the Existing Mining Contract once they are written down in full)

(b) **future transfer of plant and equipment under New Mining Contract**:

(i) the put and call arrangements in the New Mining Contract regarding the treatment and value to be ascribed to plant and equipment which is Macmahon Funded Capex upon termination or expiry of the New Mining Contract

(ii) the exercise price under the put and call arrangements in the New Mining Contract

(iii) the extent to which Macmahon will have recovered its investment in plant and equipment under the New Mining Contract prior to termination / expiry, and the appropriateness of the rate of return achieved on this investment up to termination / expiry

(iv) our opinion on whether the price mechanism to apply upon termination / expiry with respect to plant and equipment which is Macmahon Funded Capex is "fair" and "reasonable" to Macmahon

(v) the alliance (and cost plus) style nature of the New Mining Contract (pursuant to which all reasonable costs incurred are reimbursed plus a margin / return on asset investments)

(vi) the advantages and disadvantages of the proposed termination provisions regarding Macmahon Funded Capex (e.g. provides Macmahon with a clean exit)

(vii) the potential impact on the above of introducing Potential Third Party Financing (noting that it provides the potential for Macmahon to take a margin on such funding without necessarily incurring the capital expenditure)

(c) **purchase of additional equipment under New Mining Contract:**

(i) the mechanism adopted to work out the purchase price (being the market value determined by an appropriately qualified valuer)

(ii) the extent to which the proposed purchase of the additional equipment is "fair" and "reasonable" under RG 111 having regard to the above

(d) **comparison of key terms of Existing Mining Contract and New Mining Contract**:

(i) whilst not specifically required to provide the opinions on the above plant and equipment transfers, as the termination of the Existing Mining Contract is conditional on entering into the New Mining Contract, we also consider that Macmahon non-associated shareholders should be provided with a summary of the key differences and advantages and disadvantages of the New Mining Contract compared to the Existing Mining Contract.

Limitations and reliance on information

46 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over a relatively short period of time.

47 Our report is also based upon financial and other information provided by Macmahon. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

48 The information provided was evaluated through analysis, equity and review to the extent considered appropriate for the purpose of forming an opinion on the asset transfers (incorporated in the Proposed Transaction) from the perspective of the Macmahon non-associated shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecast is beyond the scope of an IER.

49 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transaction rather than a comprehensive audit or investigation of detailed matters.

50 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

51 In forming our opinion, we have also assumed that the information set out in the Notice of Meeting is complete, accurate and fairly presented in all material respects.

III Brief overview of Macmahon

Description of activities

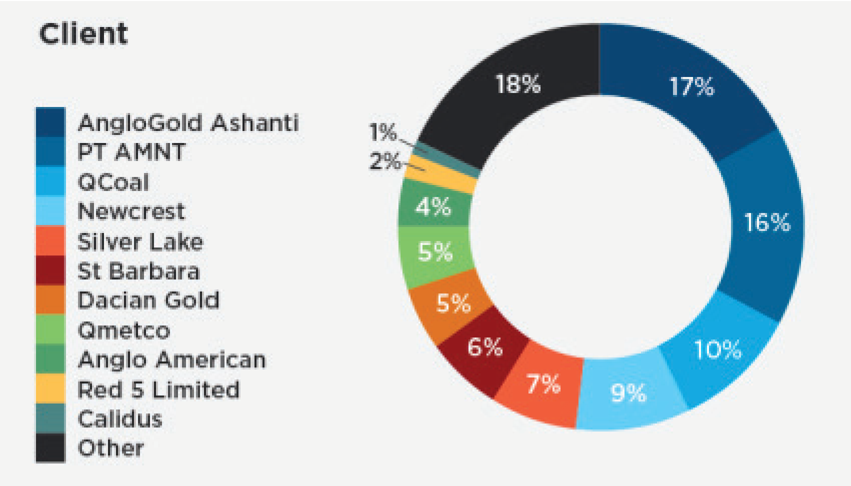
52 Macmahon is an Australian listed company that has been providing clients with end-to-end mining and construction services for in excess of 59 years. Founded in 1963, Macmahon provides services in the areas of surface and underground mining, civil design and construction (primarily on mine sites), performance enhancement, equipment repair and maintenance, mining advisory, design and fabrications of mining infrastructure, as well as mine site maintenance and rehabilitation. Macmahon has considerable expertise across a broad range of commodities including (but not limited to), gold, copper-gold, and metallurgical coal. The Company operates from a Perth head office and is currently active in most states and territories in Australia, and is also delivering mining services operations in Malaysia and Indonesia.

Revenue composition by client

53 Clients serviced by the Company include (inter alia) major resource companies across various commodity sectors including AMNT, AngloGold Ashanti Australia, QCoal Group, Red 5, Calidus, Silver Lake Resources, BHP and Newcrest Mining. Macmahon is headquartered in Perth, with operations currently in Australia, Indonesia and Malaysia. In the 12 months to 30 June 2022, the contribution to total revenue made by Macmahon's clients was as follows:

Macmahon – clients by revenue contribution

12 months to 30 June 2022



Source: Macmahon FY22 Investor Presentation, page 13.

Revenue contribution from AMNT

54 As noted above, the Existing Mining Contract with AMNT generated some 16% of Macmahon's total revenue in FY22, albeit this included pass-through costs that do not generate any margin.

55 The contribution to Macmahon's total revenue during the duration of the Existing Mining Contract to 30 June 2022[19] is summarised as follows:

Macmahon - Revenue contribution from Existing Mining Contract					
	12 months to 30 June				
	2018[(1)] $m	2019[(1)] $m	2020[(2)] $m	2021[(2)] $m	2022[(3)] $m
Revenue - Existing Mining Contract[(4)]	153.5	382.3	446.0	315.3	270.4
Total revenue – Macmahon	710	1,103	1,380	1,351	1,698
% revenue contribution	21.6%	34.7%	32.3%	23.3%	15.9%

Note:
1 Sourced from Macmahon FY19 annual report, page 98.
2 Sourced from Macmahon FY21 annual report, page 111.
3 Sourced from Macmahon FY22 annual report, page 109.
4 Macmahon management have advised that the reported revenue under the Existing Mining Contract includes non-cash revenue and pass-through costs at no margin. Reported revenue under the New Mining Contract will exclude these items.

56 As can be seen the Existing Mining Contract has been (and continues to be) a significant component of Macmahon's contract mining activities.

19 Excluding FY17 given that the commencement of the Existing Mining Contract was May 2017, thus representing only two months during that financial year.

IV Transfer of plant and equipment under the Existing Mining Contract

Opinion

57 In our opinion, the transfer of plant and equipment owned by Macmahon at the Batu Hijau mine site to AMNT upon termination of the Existing Mining Contract for their WDV (expected to be nil) is fair and reasonable to the Non-Associated Shareholders.

58 We have arrived at this opinion due to the reasons set out in paragraphs 59 to 65 below.

Contractual obligation to transfer

59 Macmahon has a contractual obligation to transfer the assets to AMNT upon expiry or termination subsequent to 31 July 2022 in accordance with the Existing Mining Contract.

Consideration based on contractual terms

60 The consideration for the transfer of assets owned by Macmahon to AMNT is based on the WDV of the assets at the time of the Proposed Transaction, in accordance with the terms of the Existing Mining Contract. Upon expiry or termination subsequent to 31 July 2022 of the Existing Mining Contract, the WDV of the plant and equipment will be $nil.

61 Whilst we note that the WDV of the plant and equipment may not be equivalent to its residual value, the receipt by Macmahon of consideration other than that commensurate with its WDV would be in breach of the terms outlined in the Existing Mining Contract. Accordingly, Macmahon is therefore not entitled to be paid the residual value of the plant and equipment on termination or expiry of the Existing Mine Contract.

Recoupment of purchase cost

62 The Existing Mining Contract requires that AMNT pay a monthly depreciation charge to Macmahon in relation to the plant and equipment acquired by Macmahon upon entering into the contract in 2017. The period over which this plant and equipment was to be depreciated was stated in the Existing Mining Contract to be five years. Furthermore, AMNT was required to pay the monthly depreciation charge to Macmahon regardless of whether the plant and equipment was being used.

63 At the time of the Proposed Transaction, Macmahon will have recovered in full the cost of the plant and equipment it acquired in 2017 and accordingly its WDV will be $nil. Therefore, the present value of the future cash flows to be generated by Macmahon from the plant and equipment is $nil. Macmahon is unable to derive any further monetary benefits from the plant and equipment under the terms of the Existing Mining Contract (as Macmahon will have fully recovered the capital cost of the plant and equipment under the Existing Mining Contract by the expiry date or termination date, plus a rate of return on its investment[20]).

Current market value

64 We note that the market value of the plant and machinery to be transferred by Macmahon to AMNT upon termination of the Existing Mining Contract is likely to be greater than $nil. However, in our view, any assessment of fairness in respect of the proposed asset transfer

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20 Under the Existing Mining Contract, Macmahon is entitled to 15% (pre-tax) per annum rate of return on its investment subject to the satisfaction of specified KPIs.

must take into account such factors as the legal obligations and rights of the parties to the Existing Mining Contract and that Macmahon has recovered the cost of plant and equipment acquired in full, plus a return on capital charge. It is inappropriate to consider in isolation one clause of a contract without consideration of the whole contract.

65 In our view, the current market value of the plant and equipment is irrelevant to the determination as to the fairness of the consideration paid to Macmahon upon transfer of the plant and equipment to AMNT. This is due to the terms of the Existing Mining Contract that specifically state that the consideration upon transfer is to be based on the WDV of the plant and equipment.

V Future transfer of plant and equipment under the New Mining Contract

Opinion

66 In our opinion, any future transfer of plant and equipment which is Macmahon Funded Capex at the expiry or termination of the New Mining Contract (or at such time as the assets are fully paid for by AMNT by way of the monthly depreciation charge mechanism) from Macmahon to AMNT (under the put and call structure) in return for the payment by AMNT of an amount equal to the WDV of the assets is fair and reasonable to the Non-Associated Shareholders.

67 We are of this opinion for the reasons set out in paragraphs 68 to 78 below.

Alliance (and cost plus) style contract

68 The New Mining Contract is an alliance (and cost plus) style contract[21] designed to align interests between Macmahon and AMNT whereby (inter alia):

(a) AMNT will support Macmahon in seeking further mining services opportunities, thus supporting the Company's growth

(b) AMNT as associate of a major shareholder in Macmahon will promote the business of Macmahon and assist with delivery on its existing strategy

(c) AMNT will reimburse Macmahon for its investment in the plant and equipment (via the monthly depreciation charge mechanism) and will pay Macmahon a 15% (pre-tax) per annum rate of return on its investment (net of the amount recovered through depreciation charges)

(d) Macmahon will be entitled to be paid a KPI based fee by AMNT (in addition to the recovery of the cost of its investment in the plant and equipment and a 15% (pre-tax) per annum rate of return).

Contractual obligation to transfer

69 In accordance with the New Mining Contract, Macmahon will have a contractual obligation to transfer the plant and equipment to AMNT for its WDV:

(a) upon termination

(b) upon expiry

(c) once these assets are fully paid for by AMNT (via the monthly depreciation charges paid to Macmahon).

70 Therefore, any future transfer of the plant and equipment from Macmahon to AMNT at a consideration amount other than the WDV of the equipment would be a breach of the terms outlined in the New Mining Contract.

Consideration based on contractual terms

71 The consideration to be received by Macmahon upon the future transfer of plant and equipment from Macmahon to AMNT of $nil upon expiry or once these assets are fully paid

[21] Similar to the Existing Mining Contract.

for by AMNT[22] (consistent with the WDV[23] of the plant and equipment at that time), or at its WDV if terminated earlier, is in accordance with the New Mining Contract.

72 Whilst we note that the WDV of the plant and equipment may not be equivalent to its residual value (particularly at expiry), the receipt by Macmahon of consideration other than that commensurate with the WDV of the equipment at the time would be in breach of the terms outlined in the New Mining Contract.

Recoupment of purchase cost

73 Similar to the terms of the Existing Mining Contract, the New Mining Contract requires that AMNT pay a monthly depreciation charge to Macmahon in relation to the plant and equipment, which will be charged to AMNT regardless of whether the equipment is being used.

74 Upon termination, expiry or once the assets are fully paid for by AMNT by way of the monthly depreciation charge mechanism under the New Mining Contract, Macmahon will be required to transfer the plant and equipment to AMNT for the WDV of the plant and equipment at that date (being the original cost of the plant and equipment less the depreciation charges received). This mechanism:

(a) upon expiry of the New Mining Contract, provides Macmahon with certainty that it will recover its investment in plant and equipment in full (whereby the WDV of the plant and equipment will be $nil), without having to find a buyer for the plant and equipment at that time, which could be difficult given the location of the plant and equipment[24] and the costs to deliver it to a purchaser. It therefore provides Macmahon with a clean exit in such circumstances

(b) upon termination of the New Mining Contract, allows Macmahon to recoup the depreciated value of the plant and equipment at that time (in so far as the plant and equipment is not fully written down at the time of transfer)

(c) reflects that upon transfer of the plant and equipment to AMNT, the present value of the future cash flows to be generated by Macmahon from the plant and equipment will be equivalent to its WDV

(d) is consistent with the alliance (and cost plus) style nature of the contract (which should not, and does not, expose Macmahon to loss in the event the New Mining Contract is terminated)

(e) is appropriate as Macmahon should not reasonably be entitled to the residual value of the plant and equipment if it will fully recover its investment in plant and equipment plus an appropriate rate of return under the New Mining Contract.

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22 Via the monthly depreciation charges paid to Macmahon by AMNT.

23 That is, not the residual value of the assets.

24 Similar to that under the Existing Mining Contract, the plant and equipment under the New Mining Contract will reside on an Indonesian island named Sumbawa.

Rate of return

75 As stated in Section IV, under the Existing Mining Contract, Macmahon is entitled to a 15% (pre-tax) per annum rate of return on its investment subject to the satisfaction of specified KPIs[25].

76 However, under the New Mining Contract, Macmahon is able to generate a 15% (pre-tax) per annum ROC employed that is not KPI based, calculated based on the average WDV of the Macmahon Funded Capex[26]. Furthermore, management have advised that this rate of return satisfies all of Macmahon's tender hurdle rates in comprison to the Australian tenders / operations and exceeds Macmahon's tender rates for similar contracts in Australia. Likewise, we understand that the EBIT[27] margin to be generated by Macmahon under the New Mining Contract will meet the Company's tender hurdle rates, whilst exceeding that earned under the Existing Mining Contract.

77 Furthermore, in our opinion, the 15% (pre-tax) per annum return on capital employed adequately compensates Macmahon for its funding costs and risks incurred (plus a margin) and is comparable with the (potential) rate of return on capital employed under the Existing Mining Contract[28].

78 Further, we note that:

(a) the 15% rate of ROC employed is well in excess of the interest rate paid by Macmahon on its asset financing facilities. For example, in the six months to 31 December 2021, Macmahon secured a new syndicated asset finance facility of $145 million, the funding costs for which are at a rate substantially less than the 15% (pre-tax) per annum return noted above. Furthermore, we note that Macmahon's effective borrowing cost as at 30 June 2022 was approximately 4.8% per annum. Whilst the interest rate on any new asset financing facility is likely to be higher in the current interest rate environment, we note that the New Mining Contract should allow Macmahon to generate a significant margin on any debt employed to fund the Macmahon Funded Capex[29]

(b) unlike the Existing Mining Contract, the 15% per annum rate of return on Macmahon Funded Capex under the New Mining Contract is not subject to the satisfaction of specified KPIs.

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25 We are instructed that under the Existing Mining Contract, the management fee is made up of two fees, the first fee being a cost saving and the second fee being the 15% ROC. Clause 3.9 of the Existing Mining Contract states that if the "Management fee KPI" is not achieved then the final management fee is $nil, which indicates that both cost saving and the ROC are subject to the satisfaction of specified KPIs.

26 We note that this return is separate and distinct from the KPI based fee that Macmahon will be entitled to under the proposed New Mining Contract.

27 Earnings before interest and tax (EBIT).

28 Subject to the satisfaction of specified KPIs under the Existing Mining Contract.

29 Further, on 28 July 2022 we note that Macmahon announced that it had successfully refinanced and increased its bank debt facility to $200 million at a lower interest rate margin than the previous facility.

VI Purchase of additional equipment under the New Mining Contract

Opinion

79 In our opinion, the purchase of additional equipment by Macmahon from AMNT for a purchase price equal to the market value of the equipment (to be determined by an independent valuer) is fair and reasonable to the Non-Associated Shareholders.

80 We are of this opinion because:

(a) the purchase price will be equal to the independently assessed market value of the equipment to be acquired[30] (and therefore, by definition, must be fair when assessed based on the guidelines set out in RG 111)

(b) Macmahon will recover its investment in the equipment plus a 15% rate of return on the WDV in accordance with the terms of the New Mining Contract.

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[30] The independent valuation of the equipment is currently being undertaken by Staffe Pty Ltd. Macmahon will acquire the assets at their assessed "Market Value in Continued Use" (provided the market value is not more than US$35 million), which is defined as:

"'*The price at which machinery and equipment could change hands between a willing buyer and a willing seller, neither being under any duress to buy or sell and both having reasonable knowledge of relevant facts. It is assumed that the machinery & equipment is being sold to remain in place and in operation, taking advantage of all leasehold and site improvements designed to facilitate its operation, with the seller accurately and completely representing the existing condition and operability of the machinery & equipment to the buyer.' This definition does not take into consideration the past, present, or forecasted income-generating performance of the product lines produced. It is, however, assumed that all specially designed and built machinery & equipment will continue to be used in the manner for which is was originally intended*."

VII Key benefits of the New Mining Contract

Overview

81 Sections IV to VI focus primarily on the respective clauses of the Existing Mining Contract and the New Mining Contract that relate to the transfer of plant and equipment upon termination / expiry and/or once these assets are fully paid for by AMNT, as well as the proposed purchase of the additional equipment pursuant to the New Mining Contract. This is because only the asset transfers under the Existing Mining Contract and any future asset transfers of plant and equipment under the New Mining Contract, as well as the purchase of the additional equipment require shareholder approval under ASX Listing Rule 10.1.

82 Whilst shareholder approval of the New Mining Contract is not required, to assist Macmahon shareholders understand the overall proposal, we have set out in this section a comparison of the key terms of the New Mining Contract and the Existing Mining Contract, together with a summary of the advantages and disadvantages of the New Mining Contract.

Comparison of key terms

83 The following table shows a comparison of the key terms of the New Mining Contract and the Existing Mining Contract:

Key differences in terms - New Mining Contract and Existing Mining Contract		
Key terms	**Existing Mining Contract**	**New Mining Contract**
Date of contract	August 2017	1 January 2023 (effective date, subject to satisfaction of conditions precedent)
Contract term (latest)	Life of mine Phase 7: five years + 12 years rehandle	Life of mine, of which Phase 8 is approximately to 30 June 2028
Early termination for convenience	AMNT: None Macmahon: None	AMNT: 60 days' notice with costs plus settlement on put / call equipment(1) Macmahon: 60 days' notice
Financing (capital)	Any additional mining equipment can be purchased by Macmahon if the parties both agree the purchase price and the depreciation period; if the parties cannot agree, then AMNT must buy the additional equipment. No ability for Macmahon to bring in Potential Third Party Financing	Provides Macmahon with the: (a) right but not the obligation to fund the capital expenditure (b) ability to bring in Potential Third Party Financing. Finance costs incurred by Macmahon, but allows Macmahon to make a margin if funding cost is less than 15% p.a. agreed rate
ROC charged	15% p.a. ROC (on WDV of plant and equipment(2)) subject to the satisfaction of specified KPIs	15% p.a. ROC on WDV of plant and equipment(2)

Key differences in terms - New Mining Contract and Existing Mining Contract		
Key terms	**Existing Mining Contract**	**New Mining Contract**
Performance bonuses (KPIs)	Scheduled bonus paid six monthly based on KPIs • Costs / tonne	Six monthly KPI bonus potential of US$5.1 million Range 0% to 100%. • Primary KPI – total cost / tonne: 40% of savings • Discretionary KPI (if primary not met) – availability and utilisation of truck fleet – productivity of shovels – ex-pit tonnes moved

Note:

1 That is, upon termination AMNT must acquire plant and equipment which is Macmahon Funded Capex at written down value (which ensures that Macmahon recovers the cost of such equipment plus a 15% p.a. rate of return on written down value each year until termination).

2 Net of depreciation recovered from AMNT under the contract.

84 In summary, the New Mining Contract reflects terms more favourable to Macmahon than the Existing Mining Contract.

Advantages of the New Mining Contract

85 The terms of the New Mining Contract provide for the following advantages to Macmahon, as discussed in paragraphs 86 to 96 below.

Potential Third Party Financing

86 The Potential Third Party Financing arrangements pursuant to which a third party financier may provide funding to Macmahon (on arm's length terms) for a portion of the Macmahon Funded Capex allows Macmahon to generate a margin on the related capital expenditure without Macmahon necessarily providing all the funding required to finance the Macmahon Funded Capex. This potential margin to be generated is equal to 15% (pre-tax) per annum less the cost of the Potential Third Party Financing. Further, as the Potential Third Party Financing is a tripartite arrangement and will result in off balance sheet funding, this may result in higher ROC.

87 As an indication of the size of the margin that might be generated, we note that in the six months to 31 December 2021, Macmahon secured a new syndicated asset finance facility of $145 million, the funding costs for which are at a rate substantially less than the 15% (pre-tax) per annum return noted above[31]. Furthermore, we note that Macmahon's effective borrowing cost as at 30 June 2022 was approximately 4.8% per annum[32] [33].

[31] Due to the commercial sensitivity of this information, we are unable to disclose precise details of the terms of this syndicated asset financing facility.

[32] As disclosed in the Macmahon FY22 Investor Presentation.

[33] Further, on 28 July 2022 we note that Macmahon announced that it had successfully refinanced and increased its bank debt facility to $200 million at a lower interest rate margin than the previous facility.

88 The Existing Mining Contract does not specifically contemplate such debt funding. Accordingly, we consider that Macmahon's ability to generate a potentially material margin on the Potential Third Party Financing in accordance with the terms of the New Mining Contract is a distinct advantage as compared to the plant and equipment funding arrangements of the Existing Mining Contract.

Rate of return not KPI based

89 The New Mining Contract provides Macmahon with a rate of return on capital of 15% (pre-tax) per annum of the average WDV of the Macmahon Funded Capex. Whilst this is a comparable rate of ROC to the Existing Mining Contract, it is a fixed rate of return that is not KPI based (unlike the Existing Mining Contract whose rate of return on capital of 15% (pre-tax) per annum is subject to the satisfaction of specified KPIs). Furthermore, the New Mining Contract (consistent with the Existing Mining Contract) provides that Macmahon may be entitled to receive from AMNT a separate KPI based fee that adds significant return opportunity above Macmahon's contract hurdle rate.

Contract right but not obligation

90 As stated in Section V, the New Mining Contract provides Macmahon with the right but not the obligation to fund the capital expenditure. In contrast, under the Existing Mining Contract, any additional mining equipment can be purchased by Macmahon if the parties both agree the purchase price and the depreciation period. If the parties cannot agree, then AMNT must buy the additional equipment.

91 Therefore, the New Mining Contract provides Macmahon with an inherent flexibility in relation to the future purchase of capital expenditure required under the contract and the generation of an attractive return thereon.

Earnings contribution

92 We note that, irrespective of whether the New Mining Contract is entered into, revenue and EBIT (in dollar terms) from the Batu Hijau project is expected to decline materially (reflecting, inter-alia, the next planned phase of mining activities). Importantly however, the EBIT contribution (in dollar terms) from the project is expected to be materially higher under the New Mining Contract compared to the Existing Contract[34]. This is because:

(a) under the Existing Contract the ROC income is expected to decline materially as the cost of the large majority of equipment has been fully recovered by 31 July 2022, and management fee (MF) income declines as pit volumes reduce

(b) under the New Mining Contract, ROC income is expected to be materially higher than under the Existing Contract over the remaining term (reflecting the additional capital expenditure investment to be made by Macmahon). Further, as the Phase 8 cutback extends in-pit mining by six years from 2022 to 2028, higher KPI / MF income is expected to be generated under the New Mining Contract.

93 Absent the New Mining Contract (and related termination of the Existing Mining Contract), there would be a significant reduction in the scale of Macmahon's activities.

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[34] We note that revenue will not be higher under the New Mining Contract compared to the Existing Contract as the non-cash revenue and pass-through costs at no margin will be removed under the New Mining Contract.

"World class" project

94 As the second largest copper-gold mine in Indonesia (behind Grasberg), the Batu Hijau mine is regarded as a "world class" asset and its operating costs are in the first (being the lowest) quartile of the global copper cost curve[35]. It follows that the contract with AMNT is an ideal mining services contract to have.

Key client

95 AMNT is a key client relationship and the New Mining Contract sustains this relationship. Furthermore, there are other (potentially long-term) identified opportunities with the client (e.g. Elang deposit and/or the Nangka prospect), as highlighted in management's comments in the Macmahon ASX announcement dated 8 May 2017[36]:

"the Transaction will provide Macmahon with regional profile and scale, potentially facilitate further growth in Indonesia, and involve the potential for future works at the Elang deposit and the Nangka prospect (should AMNT proceed to develop those assets)."

Significant shareholding

96 Given the significant size of the AMC (an associated party of AMNT) shareholding in Macmahon (being 44.3%), termination or expiry of the Existing Mining Contract without entering into a new alliance (and cost plus) style contract could have adverse implications for the client relationship with associated potential negative value (share price) implications for Macmahon shareholders.

Disadvantages of the New Mining Contract

97 Whilst AMNT has the right to terminate the New Mining Contract for convenience by giving 60 days' written notice (and no such right exists under the Existing Mining Contract), as stated above, the profitability of Macmahon will reduce further if the New Mining Contract is not entered into.

Conclusion

98 Based on the above, in our opinion, we consider that the advantages outweigh the disadvantages of the New Mining Contract.

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35 Source: Macmahon 1HFY22 Investor Presentation, page 7.

36 Source: Macmahon ASX announcement titled *Macmahon signs binding documentation for AMNT transaction* dated 8 May 2017, page 2.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting to be sent to Macmahon shareholders in connection with the Proposed Transaction.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $70,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 27 years and 35 years' experience respectively in the provision of valuation advice.

Declarations

3 This report has been prepared at the request of the Independent Directors of Macmahon.to accompany the Notice of Meeting to be sent to Macmahon shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not:

(a) the transfer of plant and equipment under the Existing Mining Contract;

(b) the future transfer of plant and equipment under the New Mining Contract; and

(c) the purchase of additional equipment from AMNT[37]

is fair and reasonable to Macmahon non-associated shareholders.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

6 As a condition of LEA's agreement to prepare this report, Macmahon agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Macmahon which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in Macmahon's Notice of Meeting.

[37] Provided the market value is not more than US$35 million.

Appendix C

Glossary

Abbreviation	Definition
AFCA	Australian Financial Complaints Authority
AMC	Amman Mineral Contractors (Singapore) Pte Ltd
AMNT	PT Amman Mineral Nusa Tenggara and affiliated entities
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Corporations Act	*Corporations Act 2001* (Cth)
EBIT	Earnings before interest and tax
Existing Mining Contract	Existing mining contract between Macmahon and AMNT for the Batu Hijau mine in Indonesia
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
KPI	Key performance indicator
LEA	Lonergan Edwards & Associates Limited
Macmahon / the Company	Macmahon Holdings Limited
Macmahon Funded Capex	Rebuilds, refurbishments, components and other capital expenditure paid for by Macmahon under the New Mining Contract
MF	Management fee
New Mining Contract	New mining contract at Batu Hijau to be entered into by Macmahon and AMNT
Non-Associated Shareholders	Shareholders in Macmahon that are not associated with AMNT
Potential Third Party Financing	Third party financing to potentially be provided to Macmahon for a portion of the Macmahon Funded Capex
Proposed Transaction	The termination of the Existing Mining Contract and the award of the New Mining Contract including all associated funding arrangements as set out in paragraph 1
RG 111	ASIC Regulatory Guide 111 – *Content of expert reports*
ROC	Return on capital
WDV	Written down value

Annexure B

Summary of key terms of Renewed Mining Contract

1.	**Parties**	PT Amman Mineral Nusa Tenggara (**AMNT**) PT Macmahon Indonesia (**Macmahon Indonesia**)
2.	**General Summary**	Agreement to provide mining and leasing services to AMNT at AMNT's Batu Hijau Mine. The Renewed Mining Contract replaces the Existing Mining Contract for the provision of mining and leasing services executed in May 2017, as varied on or about April 2018. The Existing Mining Contract is terminated pursuant to the Batu Hijau Termination Agreement. Macmahon Indonesia to provide: • mining services comprising earth moving and mining services using both Macmahon Indonesia's equipment and AMNT-supplied facilities, but excluding excavation and loading of ore; and • leasing services whereby Macmahon Indonesia will be leasing plant and equipment to AMNT and providing sufficient personnel to enable AMNT to carry out AMNT's scope of activities.
3.	**Commencement Date**	1 January 2023 or such later date as the Conditions are satisfied.
4.	**Term**	From the commencement date until the end of the Batu Hijau life of mine (currently estimated as 30 June 2028) or as terminated in accordance with the terms of the Renewed Mining Contract.
5.	**Conditions**	The Renewed Mining Contract is not operative (except for the "operative carve outs" discussed below) until the Conditions have been satisfied. Conditions must be satisfied within 90 days of the Renewed Mining Contract being signed, otherwise either party may terminate the Renewed Mining Contract.

6.	**Operative carve outs**	Subject to the Condition relating to Shareholder approval of the Resolution being satisfied, the provision described below relating to passing of ownership of Macmahon Indonesia’s Plant and Equipment to AMNT becomes operative notwithstanding that the other Conditions have not yet been satisfied
7.	**AMNT Equipment**	Under the Renewed Mining Contract, subject to satisfaction or waiver of the Conditions, Macmahon Indonesia will acquire the AMNT Equipment from AMNT for cash consideration
8.	**Contract Price**	The contract price for the mining and leasing services is comprised of: (a) the sum of all “Reimbursable Costs” incurred by Macmahon Indonesia in performing the mining services and the leasing services during the term; (b) the Return on Capital Fee and the KPI Fee (if any); and (c) any other amount due under the Renewed Mining Contract (which amount may be due to or from Macmahon Indonesia).
9.	**Passing of ownership of Macmahon Indonesia's Plant and Equipment to AMNT**	Once an item of Macmahon Indonesia's plant and Equipment has been depreciated to zero and Macmahon Indonesia has been paid in full by AMNT (as a Reimbursable Cost) for all ownership costs on that item, title and risk in that item of Macmahon Indonesia's plant and equipment passes to AMNT.
10.	**Termination on Default**	Each Party has the right to terminate the Renewed Mining Contract for a breach where notice is given and such breach is not remedied within a specified time.
11.	**Termination for Convenience by a Party**	A party may terminate the Renewed Mining Contract in its absolute discretion by giving 60 days’ notice to the other party. Compensation is payable to Macmahon Indonesia for termination.
12.	**Limitations of Liability**	Macmahon Indonesia has a limit of liability.

13.	**Put and Call Options on termination**	On termination of the Renewed Mining Contract, Macmahon Indonesia has a put option, and AMNT has a call option, in relation to each item of Macmahon Indonesia's plant and equipment used at the site in the performance of the services (**Relevant Asset**) which, if exercised, will require Macmahon Indonesia to sell and AMNT to purchase the Relevant Asset for the New Cessation Amount of that asset as at the date of termination of the Renewed Mining Contract.
14.	**Acquisition of Relevant Assets on non-exercise of Put or Call Options**	If there remain any unexercised put options or call options at the end of the exercise period, each Relevant Asset the subject of those options must be acquired by AMNT for the New Cessation Amount for that Relevant Asset.

MACMAHON
ABN: 93 007 634 406

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

MAHRM

MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SURBURB
SAMPLETOWN VIC 3030

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **3:00pm (AWST) on Saturday, 25 March 2023.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate “Appointment of Corporate Representative”. A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form: XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SURBURB
SAMPLETOWN VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Macmahon Holdings Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Macmahon Holdings Limited to be held at 15 Hudswell Road, Perth Airport, WA 6105 on Monday, 27 March 2023 at 3:00pm (AWST) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of acquisition of certain equipment from, and transfer of certain equipment to, AMNT	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

M A H   2 9 7 1 1 5 A

computershare